

## Healthy performance

PVR's Q1FY20 topline beat was aided by better-than-expected growth in F&B and advertisement. F&B revenues at ₹ 260.4 crore, up 28.4% YoY, were higher than expected 15% growth led by SPH growth of 17% YoY. Advertisement revenues grew 28% YoY, better than our expectation of 25% YoY. EBITDA (without impact of Ind-AS116) came in at ₹ 158.7 crore, with margins of 18%, largely in line with our estimates. On a reported basis, EBITDA was at ₹ 279 crore. Margins of 31.6% as rent are now charged under depreciation and interest under Ind-AS 116. PAT (without impact of Ind-AS116) came in at ₹ 44 crore, a tad better than our expectation of ₹ 39.9 crore. However, given the straight lining of rental as depreciation and interest in initial year under Ind-As, reported PAT was at ₹ 16.2 crore.

## Lowers screen addition guidance

The company has already added 36 screens in YTD FY20. We highlight that company has given the guidance of 80 screens additions in FY20, which is the lower end of the earlier guidance of 80-100 screen additions. The company is looking to incur capex of ₹ 500 crore in FY20. We note that the lowering of guidance is possibly due to overall slowdown in real estate. We build in 75 screen additions in FY20 and FY21 each. The company, while dropping its expansion plans in Middle East, is now looking to enter the Sri Lankan market with nine screen property launch, this year. Given this healthy screen addition and modest footfall growth, we expect net box office collection to grow at 13.2% CAGR in FY19-21E.

## Ind-As 116 to bring in steep difference in accounting

During the year, the company transitioned to Ind-As 116, which led accounting to shift from operating lease model (off-balance sheet) to finance lease model (on balance sheet). Present value of lease rentals is recognised as rights of use (RoU) assets and a corresponding lease liability is created. RoU is to be amortised on a straight line basis while lease payment is apportioned between finance charge and reduction of lease liability. The overall effect is likely to be higher EBITDA and lower PBT in initial years (higher PBT in later years) but no impact on cash flows. Correspondingly, we have made changes in our earnings model.

## Valuation & Outlook

PVR remains a key beneficiary of the thriving multiplex industry. However, valuations at 9.5x FY21 EV/EBITDA at on the higher end. We maintain our **HOLD** recommendation and value it at 10x FY21E EV/EBITDA. Hence, we arrive at a revised target price of ₹ 1810. We continue to prefer Inox over PVR, given the former lower valuations with relatively better balance sheet and comparable growth trajectory.



### Particulars

Particulars	Amount
Market Capitalization (₹ Crore)	7,973.8
Total Debt (FY19) (₹ Crore)	1,282.4
Cash (FY19) (₹ Crore)	34.1
EV	8,770.5
52 week H/L	1833 / 1084
Equity capital	4.7
Face value	10.0

### Key Highlights

- The topline beat was aided by better-than-expected growth in F&B and advertisement
- Ind-As implementation to result in higher reported EBITDA and lower reported PBT in initial years (higher PBT in later years) but no impact on cash flows
- We maintain HOLD recommendation and value it at 10x FY21E EV/EBITDA. We arrive at a revised target price of ₹ 1810

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### Key Financial Summary (Ind- AS 116 incorporated)

(Year-end March)	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E)
Net Sales (₹ crore)	2,043.6	2,334.1	3,085.6	3,569.6	4,020.4	14.1
EBITDA (₹ crore)	357.0	401.8	586.3	1,167.8	1,324.4	50.3
Net Profit (₹ crore)	95.8	123.3	183.2	88.6	133.6	(14.6)
EPS (₹)	20.5	26.4	39.2	19.0	28.6	
P/E (x)	82.7	64.2	43.2	89.3	59.2	
Price / Book (x)	8.2	7.4	6.4	10.0	8.6	
EV/EBITDA (x)	24.4	21.7	15.6	7.8	7.0	
RoCE (%)	13.0	14.7	13.8	24.6	26.4	
RoE (%)	10.2	11.5	14.8	11.1	14.6	

Source: Company, ICICI Direct Research

**Exhibit 1: Variance Analysis**

	Q1FY20	Q1FY20E	Q1FY19	Q4FY19	YoY (%)	QoQ (%)	Comments
Revenue	880.4	850.9	696.3	837.6	26.4	5.1	Revenue growth aided by strong performance in F&B and advertisement front
Other Income	6.8	3.0	4.3	8.5	58.9	-20.5	
Employee Expenses	105.7	90.2	74.2	90.4	42.4	16.9	
Film Distributors share	199.1	193.3	166.3	185.6	19.7	7.3	
F&B Cost	71.6	70.1	50.8	67.9	41.0	5.5	
Rent	0.0	141.4	115.9	135.8	-100.0	-100.0	
Repairs and Maintenance	225.4	201.7	151.9	197.2	48.4	14.3	
EBITDA	278.6	154.3	137.2	160.8	103.0	73.2	Reported EBITDA higher on Ind-As 116 adoption. Adjusted EBITDA at ₹ 158.7, margin of 18% largely in line
EBITDA Margin (%)	31.6	18.1	19.7	19.2	1194 bps	1245 bps	
Depreciation	125.9	56.0	40.1	54.9	213.6	129.1	
Interest	131.4	39.5	20.8	39.5	531.6	232.6	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	10.3	20.6	28.3	26.5	-63.7	-61.1	
PAT	16.2	39.9	52.1	46.4	-69.0	-65.2	
<b>Key Metrics</b>							
Footfalls (mn)	27.0	26.9	19.0	25.7	42.1	5.1	
Occupancy (%)	35.7	34.9	31.5	35.2	13.3	1.5	
SPH (₹)	102.0	92.6	87.0	89.9	17.2	13.5	
ATP (₹)	203.0	201.4	209.0	211.8	-2.9	-4.1	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,598.3	3,569.6	-0.8	4,102.5	4,020.4	-2.0	
EBITDA	682.9	1,167.8	71.0	824.0	1,324.4	60.7	
EBITDA Margin (%)	19.0	32.7	1374 bps	20.1	32.9	1286 bps	Realign numbers as per Ind-As116
PAT	210.9	88.6	-58.0	282.5	133.6	-52.7	
EPS (₹)	45.1	19.0	-58.0	60.5	28.6	-52.7	

Source: Company, ICICI Direct Research

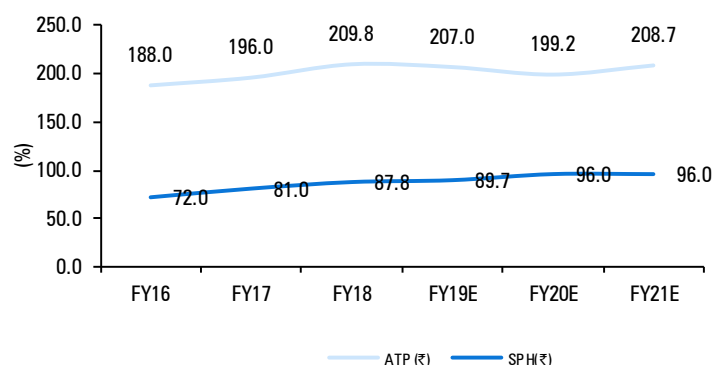
**Exhibit 3: Assumptions**

	Current				Earlier		
	FY17	FY18	FY19E	FY20E	FY21E	FY20E	FY21E
Footfalls (mn)	75.2	76.1	99.3	110.6	120.3	113.4	123.2
SPH (₹)	81	88	90	96	96	89	93
ATP (₹)	196	210	207	199	209	199	209

Source: Company, ICICI Direct Research

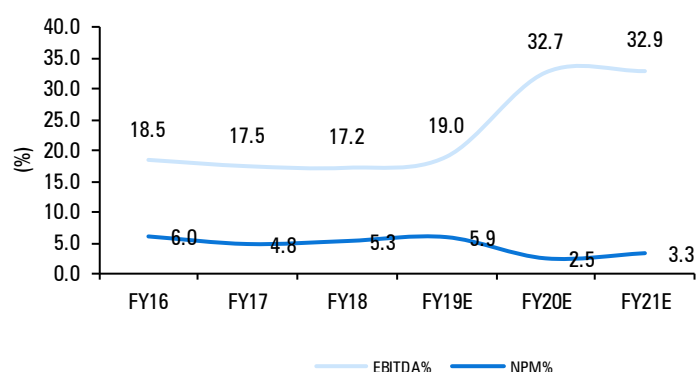
## Financial story in charts

**Exhibit 4: ATP and SPH trend**



Source: Company, ICICI Direct Research

**Exhibit 5: EBITDA and PAT margin trend (post Ind-AS implementation)**



Source: Company, ICICI Direct Research

**Exhibit 6: Excerpt of like to like operating estimates**

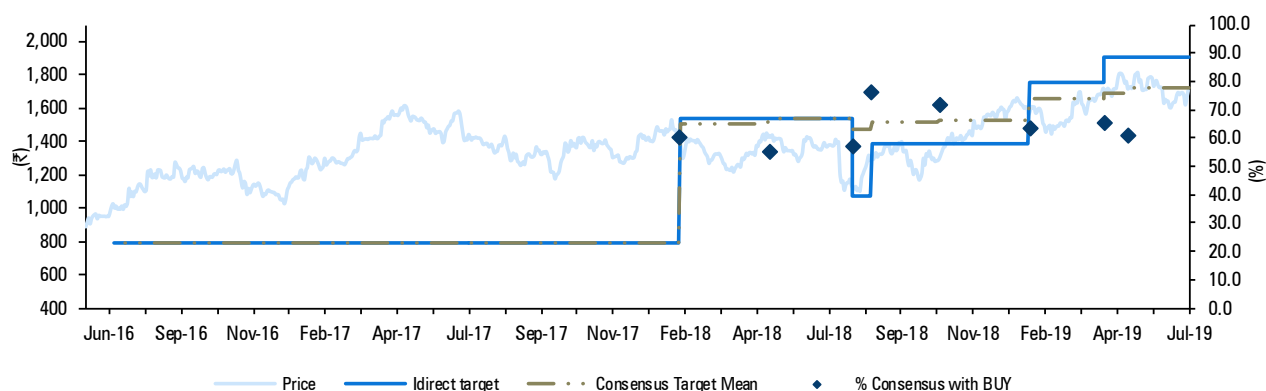
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Total operating Income</b>	<b>2,334.1</b>	<b>3,085.6</b>	<b>3,569.6</b>	<b>4,020.4</b>
Growth (%)	7.9	32.2	15.7	12.6
Film Distributors Cost	537.7	701.9	800.2	911.4
F&B Cost	159.1	238.7	296.8	332.3
Employee Expenses	254.1	337.3	433.9	487.4
Other Expenses	981.5	1,221.3	1,363.9	1,506.3
Total Operating Expenditure	1,932.3	2,499.2	2,894.8	3,237.4
<b>EBITDA</b>	<b>401.8</b>	<b>586.3</b>	<b>674.8</b>	<b>783.0</b>
Growth (%)	12.6	45.9	15.1	16.0
Margins (%)	17.2	19.0	18.9	19.5

Source: Company, ICICI Direct Research

## Conference Call Highlights

- Lowered screen guidance to 80 screens in FY20, added 36 screens on YTD basis:** The management indicated that screen additions has been strong so far in FY20 as they added 36 screens on a YTD basis. The company earlier guided at a range of 80-100 screen additions in FY20. Now, it is now guiding at lower end of the range. It has given guidance of opening 80+ screens in FY20. This includes 9 screen opening in Sri Lanka. The company also reiterated that their aspiration is to reach 1000 screens in the next two years
- Phoenix Mill property revamp led to higher other expenses; annual increments lifts employee expenses:** The management indicated that other expenses for the quarter grew on account of accelerated screen additions during the quarter, and revamp of a property in Phoenix Mill mall (Mumbai). It was also on account of technology enhancement in some screens. The management also indicated that growth in employee cost could be partly attributed to annual increments to employees as well as manpower realignment in the context of incremental premium screens
- Hollywood movies aid SPI performance; guides for ₹ 100 crore EBITDA in SPI Cinemas in FY20:** The management indicated that despite weak performance of Tamil movies, SPI Cinema's performance for the quarter was better, aided by Hollywood movies. SPI Cinemas reported ₹ 28.4 crore EBITDA in Q1. The company guided for ₹ 100 crore EBITDA for SPI Cinemas in FY20
- Planning to spend US\$10 million as working capital for movie distribution business; QIP plan still on:** The company indicated that they are planning to spend US\$10 million (mn) on the distribution business. The management indicated they are undertaking various business models in this business wherein they are aiming at 5% commission in case of big budget movies while in case of small budget movies, the model is of minimum guarantee. The management indicated they are looking to do QIP. However, they are yet to zero down on timing and the amount to be raised
- CCI dismisses case filed by producer:** The company said the Competition Commission of India has dismissed all allegations by one of the producers in the virtual print fees (VPF) case against the multiplex industry
- Yield led ad growth for quarter; SPH witnesses recovery after muted two to three quarters:** The company said ad growth for the quarter was aided by yield increase as the company took a conscious decision not to increase volume to maintain better viewing experience and also indicated that ad growth for Q2, Q3 is expected to be stronger on account of strong content slate and festivities. The company said that strong SPH growth, which returned after muted last two to three quarters was aided by menu realignment, additional product offering, etc
- Other highlights:** i) Net debt was at ₹ 1325 crore, ii) Guided for 5-7% annual same store box office collection growth and iii) Premium screen count is at 78 screens as of June 2019

### Exhibit 7: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

### Exhibit 8: Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
1	Bijli (Ajjay)	30-Jun-19	11.58	5.4	0.0
2	Kumar (Sanjeev)	30-Jun-19	7.98	3.7	0.0
3	Berry Creek Investment Ltd.	30-Jun-19	7.67	3.6	0.0
4	Plenty Private Equity Fund I Ltd.	30-Jun-19	7.18	3.4	0.0
5	Gray Birch Investment Ltd.	30-Jun-19	6.33	3.0	0.0
6	Multiples Alternate Asset Mgmt PV Ltd	30-Jun-19	5.09	2.4	0.0
7	ICICI Prudential Asset Management Co. Ltd.	30-Jun-19	3.62	1.7	0.0
8	Aditya Birla Sun Life AMC Limited	30-Jun-19	2.46	1.1	0.1
9	Sundaram Asset Mgmt Company Ltd	30-Jun-19	2.33	1.1	0.0
10	The Vanguard Group, Inc.	30-Jun-19	1.82	0.9	0.0

Source: Reuters, ICICI Direct Research

### Exhibit 9: Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Fidelity International Asset Management Company (Korea)	+15.85M	+0.65M	BNP Paribas Asset Management India Pvt. Ltd.	-1.17M	-0.05M
Hillhouse Capital Management Ltd.	+13.43M	+0.55M	Fidelity International	-0.84M	-0.03M
Florida State Board of Administration	+4.36M	+0.18M	L&T Investment Management Limited	-0.60M	-0.03M
Morgan Stanley Investment Management Inc. (US)	+2.13M	+0.09M	Dimensional Fund Advisors, L.P.	-0.64M	-0.03M
Dutta (Gautam)	+2.17M	+0.08M	DSP Investment Managers Pvt. Ltd.	-0.58M	-0.02M

Source: Reuters, ICICI Direct Research

### Exhibit 10: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	20.25	20.25	20.25	20.25	20.24
FII	40.93	39.47	40.04	42.04	44.92
DII	13.22	14.25	13.99	12.31	12.44
Others	25.60	26.03	25.72	25.40	22.40

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 11: Profit and loss statement ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Total operating Income</b>	<b>2,334.1</b>	<b>3,085.6</b>	<b>3,569.6</b>	<b>4,020.4</b>
Growth (%)	7.9	32.2	15.7	12.6
Film Distributors Cost	537.7	701.9	800.2	911.4
F&B Cost	159.1	238.7	296.8	332.3
Employee Expenses	254.1	337.3	433.9	487.4
Other Expenses	981.5	1,221.3	870.9	964.9
Total Operating Expenditure	1,932.3	2,499.2	2,401.8	2,696.0
<b>EBITDA</b>	<b>401.8</b>	<b>586.3</b>	<b>1,167.8</b>	<b>1,324.4</b>
Growth (%)	12.6	45.9	99.2	13.4
Depreciation	153.7	191.3	522.5	578.0
Interest	83.7	128.0	536.9	575.8
Other Income	31.3	33.1	33.8	40.0
Exceptional Items	0.6	0.0	0.0	0.0
PBT	195.2	300.2	142.2	210.5
MI/PAT from associates	1.4	7.3	4.6	5.6
Total Tax	70.4	109.7	49.0	71.4
<b>PAT</b>	<b>123.3</b>	<b>183.2</b>	<b>88.6</b>	<b>133.6</b>
Growth (%)	28.8	48.5	-51.6	50.8
<b>EPS (₹)</b>	<b>26.4</b>	<b>39.2</b>	<b>19.0</b>	<b>28.6</b>

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>PAT</b>	<b>123.3</b>	<b>183.2</b>	<b>88.6</b>	<b>133.6</b>
Add: Depreciation	153.7	191.3	522.5	578.0
Add: Interest Paid	83.7	128.0	536.9	575.8
(Inc)/dec in Current Assets	-14.4	-95.4	-58.6	-52.6
Inc/(dec) in CL and Provisions	41.9	366.2	126.7	114.7
Others	0.0	0.0	0.0	0.0
<b>CF from operating activities</b>	<b>388.3</b>	<b>773.2</b>	<b>1,216.1</b>	<b>1,349.5</b>
(Inc)/dec in Investments	-16.7	8.7	10.0	0.0
(Inc)/dec in Fixed Assets	-230.2	-1,529.2	-500.0	-500.0
Others	-52.7	443.8	357.4	-402.6
<b>CF from investing activities</b>	<b>(299.6)</b>	<b>(1,076.7)</b>	<b>(132.6)</b>	<b>(902.6)</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	10.9	451.9	100.0	100.0
Dividend paid & dividend tax	-10.9	-13.3	-10.9	-10.9
Less: Interest Paid	83.7	128.0	536.9	575.8
Others	-169.5	-261.7	-1,595.8	-1,151.7
<b>CF from financing activities</b>	<b>(85.8)</b>	<b>304.9</b>	<b>(969.9)</b>	<b>(486.8)</b>
Net Cash flow	2.9	1.5	113.6	-39.9
Opening Cash	29.9	32.8	34.2	147.8
<b>Closing Cash</b>	<b>32.8</b>	<b>34.2</b>	<b>147.8</b>	<b>107.9</b>

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Liabilities</b>				
Equity Capital	46.7	46.7	46.7	46.7
Reserve and Surplus	1,028.6	1,192.8	748.5	871.2
Total Shareholders funds	1,075.4	1,239.5	795.2	917.9
Total Debt	830.5	1,282.4	1,382.4	1,482.4
Others	1.4	579.2	4,342.8	3,993.2
<b>Total Liabilities</b>	<b>1,907.3</b>	<b>3,101.1</b>	<b>6,520.4</b>	<b>6,393.6</b>
<b>Assets</b>				
Total Fixed Assets	1,683.7	3,021.6	2,999.1	2,921.2
Investments	18.7	9.9	-0.1	-0.1
Right of Use	-	-	3,346.2	3,339.3
Goodwill on Consolidation	7.9	-	-	-
Debtors	155.6	183.9	215.2	242.3
Inventory	19.8	30.3	35.1	39.5
Loans and Advances	1.0	1.2	1.2	1.2
Other Current Assets	87.5	143.9	166.5	187.5
Cash	32.8	34.1	147.8	107.9
Total Current Assets	296.7	393.5	565.8	578.5
Total Current Liabilities	441.6	807.7	934.5	1,049.1
Net Current Assets	-144.9	-414.3	-368.7	-470.7
Other Non Current Assets	341.9	483.9	543.9	603.9
<b>Application of Funds</b>	<b>1,907.3</b>	<b>3,101.1</b>	<b>6,520.4</b>	<b>6,393.6</b>

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Per share data (₹)</b>				
EPS (Diluted)	20.5	26.4	39.2	19.0
Cash EPS	50.1	59.3	80.2	130.8
BV	206.5	230.2	265.3	170.2
DPS	2.3	2.3	2.8	2.8
Cash Per Share	6.4	7.0	7.3	31.6
<b>Operating Ratios (%)</b>				
EBITDA Margin	17.5	17.2	19.0	32.7
EBIT / Net Sales	10.7	10.6	12.8	18.1
PAT Margin	4.8	5.3	5.9	2.5
Inventory days	3.4	3.1	3.6	3.6
Debtor days	18.2	24.3	21.7	22.0
Creditor days	35.3	39.3	43.5	43.5
<b>Return Ratios (%)</b>				
RoE	10.2	11.5	14.8	11.1
RoCE	13.0	14.7	13.8	24.6
RoIC	14.2	15.5	14.2	23.5
<b>Valuation Ratios (x)</b>				
P/E	83.2	64.6	43.5	90.0
EV / EBITDA	24.5	21.8	15.7	7.9
EV / Net Sales	4.3	3.8	3.0	2.6
Market Cap / Sales	3.9	3.4	2.6	2.2
Price to Book Value	8.3	7.4	6.4	10.0
<b>Solvency Ratios</b>				
Net Debt/EBITDA	2.2	2.0	2.1	1.1
Net Debt / Equity	0.8	0.7	1.0	1.6
Current Ratio	1.2	1.0	0.9	0.9
Quick Ratio	1.1	0.9	0.8	0.9

Source: Company, ICICI Direct Research

**Exhibit 15: ICICI Direct Coverage Universe (Media)**

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
DB Corp (DBCORP)	165	190	Hold	2,884	15.7	18.8	19.0	10.5	8.8	8.7	5.6	4.4	4.0	21.0	25.7	23.7	15.0	17.7	16.1
ENIL (ENTNET)	404	545	Hold	1,923	11.3	15.7	21.2	35.7	25.7	19.0	12.7	9.9	6.9	6.2	9.0	11.3	3.5	5.8	7.5
Inox Leisure (INOX)	314	385	Buy	3,222	13.0	14.1	18.1	24.1	22.3	17.4	10.8	9.9	7.8	13.2	19.6	18.0	10.6	14.2	13.1
Jagran Praka (JAGPRA)	94	108	Hold	2,935	8.8	9.6	12.0	10.7	9.8	7.9	5.5	4.6	3.8	18.9	18.6	16.7	16.1	14.7	13.9
Music Broadcast (MUK)	51	67	Buy	1,421	2.2	2.7	3.2	23.1	19.1	16.3	10.5	8.9	7.5	16.5	16.8	19.1	10.2	10.9	12.4
PVR (PVRLIM)	1,706	1,810	Hold	7,970	39.2	19.0	28.6	43.5	90.0	59.7	15.7	7.9	7.1	14.7	13.8	24.6	11.5	14.8	11.1
Sun TV (SUNTV)	482	580	Hold	19,012	36.4	37.4	38.7	13.3	12.9	12.5	6.3	6.0	5.2	35.5	38.5	34.2	24.2	25.9	23.0
TV Today (TVTNET)	283	340	Buy	1,690	22.0	27.0	28.4	12.9	10.5	10.0	7.0	5.1	4.2	30.4	26.2	26.9	19.3	16.9	17.5
ZEE Ent. (ZEEENT)	400	425	Buy	38,397	16.1	18.9	21.2	24.8	21.2	18.8	14.1	12.5	10.8	25.6	25.7	24.8	15.3	15.7	15.7

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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